GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:3415
ANSWERED ON:23.12.2008
BRAND LICENCE AGREEMENT
Sharma Dr. Arvind Kumar

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government allows repatriation of royalty/technical fees by Indian companies to their foreign collaborate for using their brands in India;

(b) if so, the details of the guidelines of the Government in this regard;

(c) whether the Government has approved any brand license agreement between any Indian Company and their foreign collaborator;

(d) if so, the details thereof;

(e) the details of the royalty payments made by Indian companies to foreign countries during the last three years and in the country, company-wise;

(f) whether the said agreement is in line with the government norms and guidelines for payment of royalty; and

(g) if so, whether the Government is not allowing any new industrial license in the tobacco sector and if so, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI ASHWANI KUMAR)

(a) to (g): Yes Sir, the Government allows repatriation of royalty/technical fees by the Indian companies to their foreign collaborator for using their brands in India. As per the extant guidelines, payment of royalty for technology transfer including for use of trademark / brandname of the foreign collaborator is allowed upto 5% of domestic sales and 8% of export sales under the automatic route. For use of only trademark / brandname of the foreign collaborator without any technology transfer, royalty upto 1% on domestic sales and upto 2% on export sales are allowed under the automatic route. Proposals not covered under the automatic approval route are considered by the Project Approval Board under the Department of Industrial Policy & Promotion, an inter-ministerial body. The Project Approval Board considers the cases in line with the existing Government norms and guidelines. The details of approvals for use of only brandname / trademark granted by the Government and the royalty payments made by the Indian companies during the last three years are given in Annexure. Manufacture of Cigars and Cigarettes using tobacco is subject to compulsory Industrial Licensing under the Industries (Development & Regulation) Act, 1951. Since 1999, no Industrial License has been granted for manufacture of Cigarettes in view of grounds of health.

Annexure

STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA UNSTARRED QUESTION NO. 3415 FOR ANSWER ON 23.12.2008.

S.No	Name of Indian Company & Foreign Company	Details of Agreement/ Activity covered for use of brandname / trademark approved through Government Route during the last three years i.e 2005-06,2006-07 and 2007-08	Details of Royalty payments
1	M/s Bangalore Sales Corporation with Hangers for readymade garments (For use of Brand name & Trademark)	Plastic Injection moulded Hangers used as accessories D/B/A/ Uniplast Industries Far East, USA	(a) M/s SJR Hanger Corp @ 1% on Domestic Sales & (b) @2% on Export Sales, net of taxes, for a period of 5 years

2	M/s GKN (India) Ltd with M/s GKN Holdings Plc,U.K	Driveline Entering into a new Trademark License Agreement for use of "GKN" name & Logo on products manufactured & sold -"Drive Axle Assemblies - including constant Velocity Joints" for Front wheel Vehicles	(a) @ 0.5% if the operating margin for the relevant financial period is less than 3%; (b) @ 1% if the operating margin for the relevant financial period is 3% or more but less than 7%; and (c) @1.5% if the operating Margin for the relevant financial Period is 7% or more , subject to taxes, w.e.f 1.1.2007.
3	M/s GKN Sinter Metals Ltd with M/s GKN Holdings Plc, U.K	Entering into a New Trademark License Agreement for use of Trade mark "GKN & GKN Logo in manufactured products of Sintered Bearings, Automotive components, Filters & Metal powders and Services.	(a) @ 0.5% if the operating margin for the relevant financial period is less than 3%; (b) @ 1% if the operating margin for the relevant financial period is 3% or more but less than 7%; and (c) @ 1.5% Where the operating margin for the relevant financial period is 7% or more , subject to taxes w.e.f 1.1.2007